

**Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)
Grant Project Final Report**

Contract Number: 21011

Grant Project Title: Artisan Delivery Network

Amount of Funding Awarded: \$18,500

Name of Principal Contact Person: Ron Paris

Address: N7346 Cty Hwy D, Albany, WI 53502

Telephone: 608-938-1218

E-Mail Address: rcjbparis1@tds.net

WEB Address: <http://www.artisanfoodsdelivered.com/>

Report Submitted on: 11-30-07

The original intent of the grant was to fund a start-up home delivery service and the associated computer systems needed. The name of the delivery service is Artisan Foods Delivered. With grant proceeds, we wanted to get the delivery business started with a good internet and computer infrastructure. There should be a benefit to Wisconsin Agriculture by demonstrating that there is a business niche for small batch ag products being delivered directly to consumers at their homes.

Many of our home deliver prospects came from our involvement at the Westside Community Farmers market in Madison. Towards the end of the season, many wanted to continue to buy and these people made up the bulk of our first customer list. We then established a website that had descriptions of the products we were offering and a simple method for customers to submit their orders each week. It also described procedures and policies. Most of the communication with customers was via e-mail. With the help of DBIC we went to a focus group session and learned that this focus group had a different selection for their favorite logo compared to ours. We all felt that a little red wagon with a compliment of dairy products was the best logo presented. The group however felt that a barn on wheels sent the proper message about our business and what we were trying to do. We would periodically place flyers in the coolers provided by each customer. Various promotional ideas were tried including a coupon for free product when a friend or neighbor signed up. Of the 50 coupons floated, about 10 were returned, qualifying for the free product. Phone calls were made to many of our farmers market customers that indicated an interest. Of about 50 calls, again about 10 customers may have been secured.

One thing that we should have done better, was to get going quicker. For example, when leaving the farmers market in November, we had built up lots of interest in the home delivery. By not getting started for another 3 months, we saw much of the interest had dropped. This was evident

by the first few lists taken at the market. We had interest that included over 300 names. When we finally started the delivery, many of those people lost interest or were forgotten and our deliveries were only around 50 stops.

Regarding our inventory management, we were able to do most of our ordering at the beginning on a just in time ordering system. This was fairly easy since the two primary vendors were involved in the home delivery business. (Blue Marble and Sugar River Dairy). Total number of vendors at start up was 9. Many were also part of the West Side Community Farmers market. As we experienced a greater number of late orders, it was decided to carry a small inventory of some grocery items. As our volume in frozen items increased, freezers were purchased to store some of the popular cuts. Special cuts were still ordered on a just in time basis. Our product list included about 50 items at the beginning, including: milk, yogurt, eggs, frozen meats, honey and canned tomato products. Later a pepper condiment company, a local meat vendor, maple syrup, and a jam vendor were added to our list to bring the sku's to around 120. The vendor list had now grown to 15.

There was one delivery route that was executed every week. Starting, it was 27 and to increased each week. The average was around 50-60 stops with the high point being 68. During the farmers market season, numbers would fall and would pick up again during the winter.

One of our biggest challenges, was to keep a good truck on the road. Our first two rigs were small and low cost. Neither of these trucks had refrigeration. This worked in the winter season only. As it warmed we had to switch and rent a truck from Blue Marble at a cost of \$200 per trip. The debate on capital was whether a once a week delivery effort would warrant the purchase or lease of a new truck. As it were, we either had trucks without the necessary size or refrigeration, and we were spending money on repairs. Additional capital upfront to purchase a good delivery truck would have solved these problems. By paying at least one driver and paying for the truck, the once a week sales amount of around \$2000 would not return enough to cover costs of both truck and driver.

Because Blue Marble had been providing many of the resources needed to operate and their milk provided the bulk of the sales, it was proposed that around September 2007, Blue Marble would takeover all aspects of what AFD was doing. Owning the warehouse, the farm, the milk, the bottling plant, and the trucks, should provide Blue Marble with the vertical integration needed to make a successful venture out of home delivery.

What I felt we learned form this project:

1. Move quickly on start up if you have an interested group.
2. Make sales efforts a priority.
3. Find good drivers.

From our experience in this grant project, there is a lot of variability in a home delivery business such as debt, management, drivers, etc. But we believe break even would occur if the business could consistently generate 100 stops; \$65.00 per stop; at a 30% Gross margin. A 50 mile radius is probably the extent of reach that a small home delivery business could maintain.